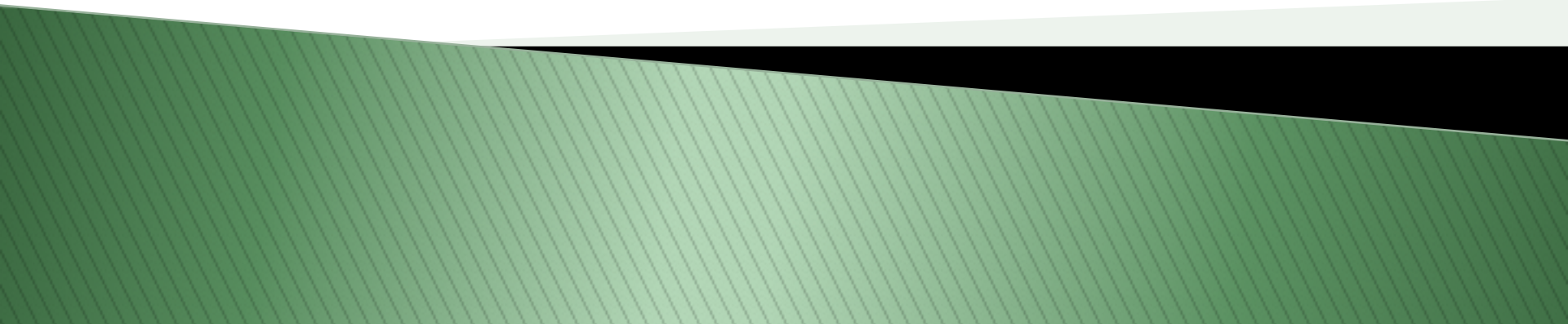


# **Economic Systems in the Global Community**



# Vocabulary to Learn

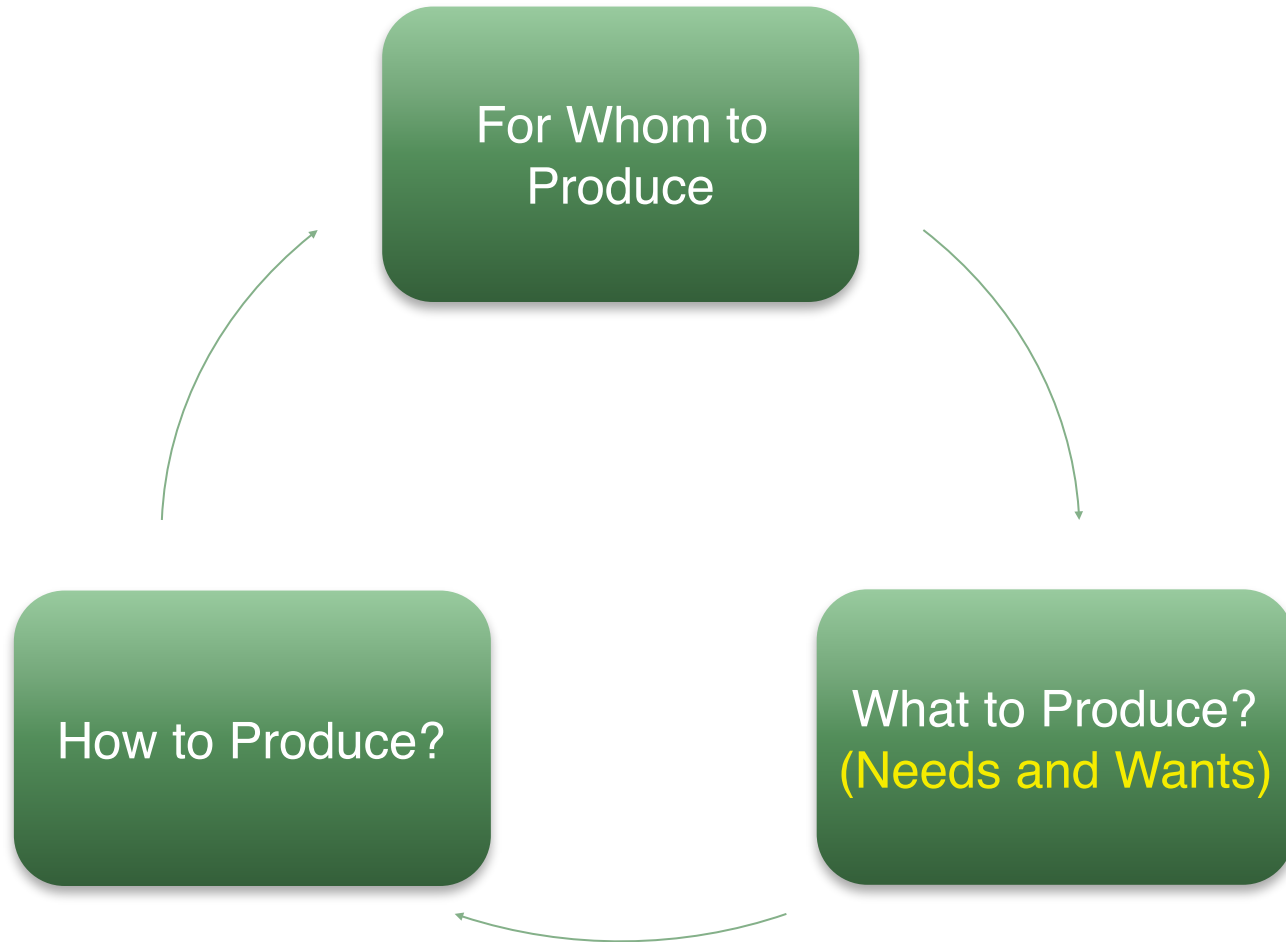
- **Business**
- **Capitalism**
- **Competition**
- **Custom-Based Economy**
- **Directed Economy**
- **Economic System**



- **Market Economy**
- **Marketplace**
- **Private Enterprise**
- **Private Property**
- **Profit**
- **Profit Motive**
- **Voluntary Exchange**



# The Economic Questions



# Types of Economic Systems

An **Economic System** is a nation's plan on what to produce, how to produce, and how to distribute goods and services

## Custom-Based Economy

- Goods are produced how they have always been produced
- Traditions control the economic questions
- Inuit, Aboriginal, local Amish communities

## Directed Economy

- All goods and services are owned and controlled by the government
- The people have little say regarding the economic questions
- North Korea, Cuba, other Government Controlled Countries

## Pure Market Economy

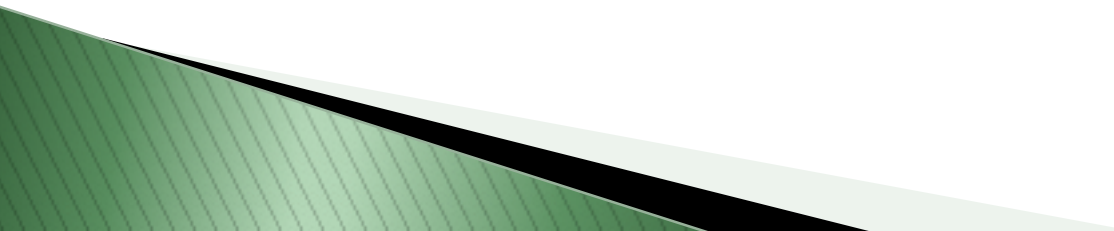
- Individuals and businesses are free to make their own decisions regarding the economic questions.
- The people control the answers to the economic questions

# The U.S. Market Economy

## Capitalism & Free Enterprise System

Economic Resources are primarily owned by individuals rather than the government.

Goods and Services are produced and sold in a Voluntary Exchange where the buyers and sellers determine the answers to the 3 economic questions.



# The U.S. Market Economy

## Characteristics

### Private Enterprise

In a Market Economy, an individual has the right to choose whether to own a business, what business to enter, and what to produce.

A business is an establishment that supplies goods and services in exchange for some form of payment



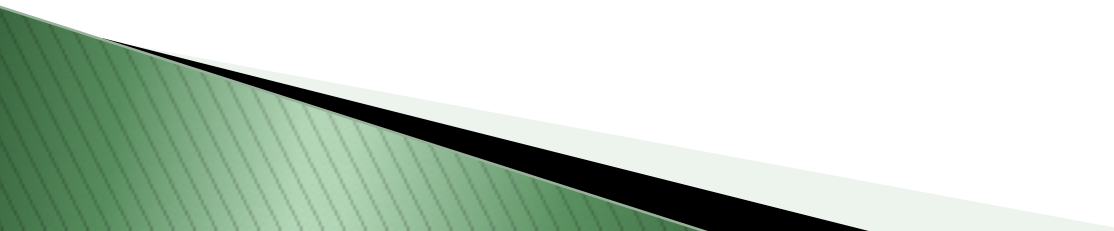
# The U.S. Market Economy

## Characteristics

### Private Property

In the U.S. Market Economy, individuals have the right of owning, using, or disposing items of value.

Businesses have the similar right in that they can own private property.



# The U.S. Market Economy

## Characteristics

### Profit

Businesses produce and supply goods and services to the marketplace to earn money.

- $\text{Sales} - (\text{Costs} \ \& \ \text{Expenses}) = \text{Profit}$

The drive for businesses to grow their business and create higher profits is also known as profit motive.



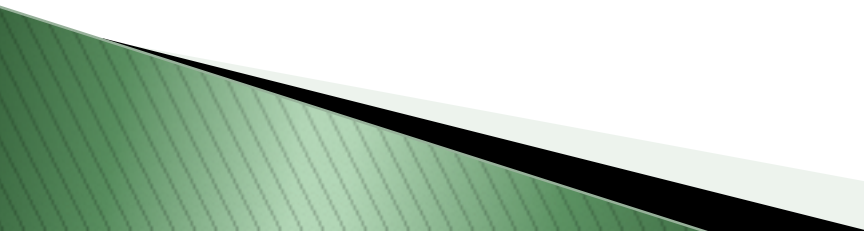
# The U.S. Market Economy

## Characteristics

### Competition

In a Market Economy, because of the ability to create a private enterprise, a number of similar businesses can be created that will compete for profits in the marketplace.

Competition drives businesses to create better products, offer better services, competitive prices, and create new items.



# The U.S. Market Economy

## Characteristics

### Freedom of Choice

Because of a Market Economy, an individual has the ability to choose how to integrate themselves into the economy in terms of a consumer, worker, and citizen.

# The Role of the U.S. Government in the Market Economy

## A Mixed Economy

In most Market Economies, the government plays a role in how the economy works. The U.S. Market Economy relies on the local, state, and national government to fulfill some of its necessary functions the market is unable to perform.

**\*\*This involvement creates the  
Mixed Economic System**



